

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7955

BILL NUMBER: SB 536

NOTE PREPARED: May 6, 2005

BILL AMENDED: Apr 29, 2006

SUBJECT: Skills 2016 Training Fund.

FIRST AUTHOR: Sen. Clark

FIRST SPONSOR: Rep. Borror

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: *Skills 2016 Training Fund:* The bill transfers the Skills 2016 Training Fund (Fund) to the Corporation and requires the Corporation to enter into an agreement with the DWD to administer the Fund. It requires the Secretary of Commerce to allocate the money in the Fund to employers and consortiums for worker training grants, after considering information provided by the DWD. It also requires that Ivy Tech State College be given special consideration to be the provider of training obtained through the fund when: (1) Ivy Tech courses meet the needs of an employer or consortium; and (2) Ivy Tech is the most cost effective provider. The bill establishes a sunset for the Fund of December 31, 2008. The bill also repeals the Incumbent Workers Training Board and obsolete statutes concerning the Fund.

Life Long Learning Accounts Study: The bill requires the DWD to study the adoption of a life long learning accounts program and to report not later than November 1, 2005, to the Legislative Council the DWD's recommendations, including any proposed legislation. The bill allocates an amount not to exceed \$50,000 from the Fund to the DWD to conduct the study.

Effective Date: Upon Passage.

Explanation of State Expenditures: *Skills 2016 Training Fund Changes:* The bill sunsets the Skills 2016 Training Fund and Program as of December 31, 2008. The bill also provides for other changes in the administration of the Skills 2016 Training Program and the distribution of Skills 2016 Training Assessments. The bill makes the following changes with respect to funding decisions and oversight relating to the Skills 2016 Training Program and Fund.

(1) The bill eliminates the Incumbent Workers Training Board and the oversight by the Unemployment Insurance Board for disbursements by the Training Board from the Skills 2016 Training Fund.

(2) The bill transfers responsibility for funding decisions relating to the Skills 2016 Training Program and the Training Fund to the Indiana Economic Development Corporation (IEDC).

(3) The bill requires the IEDC to enter into an agreement with the DWD to administer the Fund.

The bill also eliminates specific allocations of Skills 2016 Training Assessments and adds new allocations of Skills 2016 Assessments. These changes are as follows.

(1) Under current statute, the first \$450,000 in annual assessments is distributed to the Special Employment Training Services Fund. This money is to be allocated by the DWD for job counseling or training provided by state educational institutions or job counseling or training provided to certain unemployed persons by the DWD. Under the bill, this distribution would be eliminated and the amount would be distributed to the Skills 2016 Training Fund. However, the bill does not eliminate the responsibility for the DWD to allocate an amount up to \$450,000 annually for training and counseling assistance to be provided by Ivy Tech State College from penalties and interest received by DWD on delinquent unemployment insurance contributions. Reportedly these funds are held in the Special Employment Security Fund. As of May 5, 2005, the balance in this Fund totaled \$19.2 M.

(2) The bill eliminates the distribution of money in the Skills 2016 Training Fund to Ivy Tech State College for training and apprenticeship programs, and to Incumbent Worker Training Programs.

(3) The bill requires that after payment of assessment refunds, the money in the Skills 2016 Training Fund is to be allocated by the IEDC to employers or consortiums for incumbent worker training grants. The bill requires that special consideration be given to Ivy Tech State College to be the provider of training funded with Skills 2016 assessments whenever it: (1) meets the identified training needs of an employer or consortium with an existing credentialing or certification program; and (2) is the most cost effective provider.

(4) The bill requires the DWD provide applications for training grants to employers and consortiums, and obtain various information relating to the qualifications of the applicants. This information is to be considered by the Secretary of Commerce in allocating grant money.

Life Long Learning Accounts Study: The bill requires the DWD to examine the adoption of a life long learning accounts program to encourage life long learning practices by individuals: (1) whose principal place of employment is in Indiana; or (2) who are unemployed and seeking work in Indiana. The study must include a fiscal analysis of any proposed program; an assessment of the program's effectiveness to retain jobs, increase income, and increase the tax base in Indiana; and an estimate of the extent to which the proposed program may increase life long learning practices.

The bill provides that DWD may receive an allocation not exceeding \$50,000 to conduct the study. The bill requires DWD to report the result of the study to the Legislative Council by November 1, 2005.

Background: The Skills 2016 Training Program is established to: (1) improve manufacturing productivity levels in Indiana; (2) enable firms to become competitive by making workers more productive through training; (3) create a competitive economy by creating and retaining jobs; (4) encourage the increased training necessary

because of an aging workforce; (5) avoid potential payment of unemployment compensation by providing workers with enhanced job skills. The Program is funded through an assessment on unemployment insurance taxable wages of employers. Under current statute, the unemployment insurance rate was reduced by 0.1% beginning in 2002 and an assessment of 0.09% has been assessed for the Skills 2016 Training Program. These provisions are not changed by the bill.

Under current statute, the Incumbent Workers Training Board administers the Skills 2016 Training Fund and the Department of Workforce Development must provide staff support for Board. The Board consists of four members appointed by, and serving at the pleasure of, the Governor. One member each is to be appointed from a list of nominees provided by the UAW Region 3, the Indiana AFL-CIO, the Indiana Manufacturers Association, and the Indiana Chamber of Commerce. The Board makes recommendations to the Unemployment Insurance Board for disbursements to programs from the Fund. Current statute specifies that 55% of the money in the Skills 2016 Training Fund is to be allocated to Ivy Tech State College for use in providing training and apprenticeship programs. The remainder of the money in the Fund is to be used for refunds of erroneously paid training assessments and for other incumbent worker training programs.

Under current statute, revenue from a 0.09% assessment on unemployment insurance wages of employers is deposited in the Skills 2016 Training Fund. In FY 2004, the assessment generated about \$16.0 M for the Fund, and the FY 2004 ending balance in the Fund was \$32.7 M. As of May 4, 2005, assessments deposited in the Training Fund during FY 2005 total about \$3.1 M, with the balance totaling about \$29.2 M.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Economic Development Corporation; Department of Workforce Development; Unemployment Insurance Board; Incumbent Workers Board; Ivy Tech State College.

Local Agencies Affected:

Information Sources: Sarah Steele, Department of Workforce Development, (317) 232-7675.

Fiscal Analyst: Jim Landers, 317-232-9869.